HOUSING MARKET OUTLOOK
Trois-Rivières CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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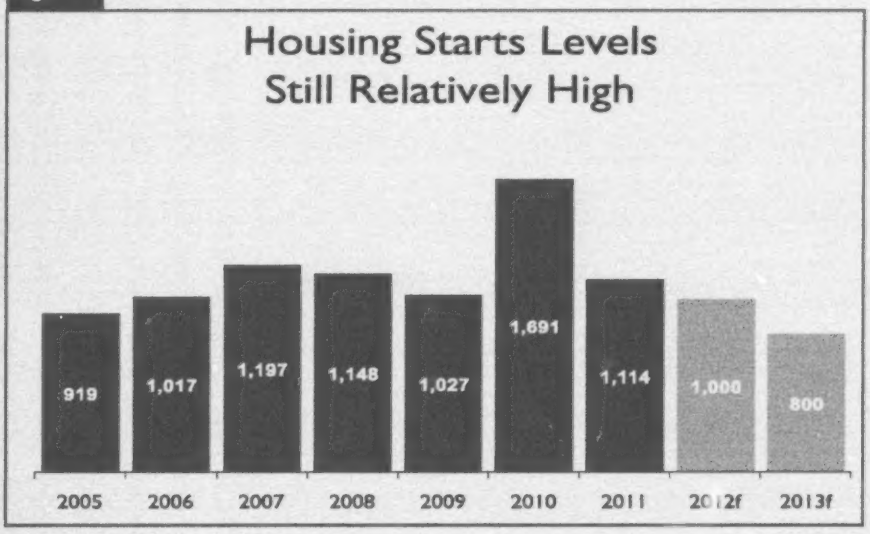
Residential real estate market expected to slow down in 2012 and 2013[1]

A slight slowdown is expected on the residential real estate market in the Trois-Rivières census metropolitan area (CMA) in 2012 and 2013.

Lower migration and less significant demographic growth will somewhat curb activity on the Trois-Rivières area real estate market. However, the still very favourable financing conditions, combined with the expected stability of the job market, will limit the decline in 2013.

Residential construction will stay strong in 2012, before dipping gradually in 2013. In all, 1,000 housing

Figure 1



Source: CMHC
f: CMHC forecasts

[1] The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts included in this document reflect information available as of October 17, 2012.

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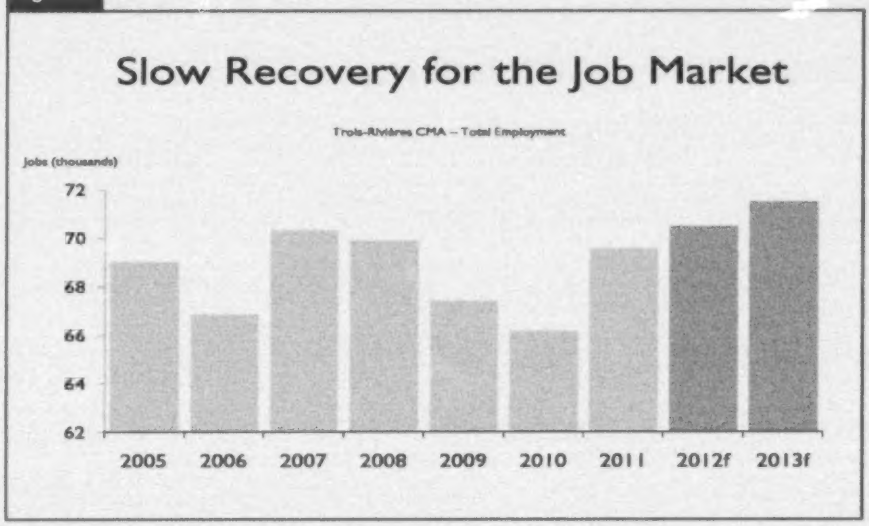
starts should be enumerated in the CMA in 2012 (compared to 1,114 in 2011). In 2013, starts should reach 800 units. On the resale market, the volume of transactions will rise in 2012 (+6 per cent), before falling in 2013 (-8 per cent). Less tight market conditions will bring about less pronounced rent increases. The average price of homes should therefore reach $159,500 in 2012 (+1.6 per cent) and then $161,000 in 2013 (+1 per cent). Lastly, rental market conditions should ease, as the vacancy rate is expected to attain 5.0 per cent in 2012 and 5.5 per cent in 2013.

Figure 2



Source: Statistics Canada
f: CMHC forecasts

Job market posts slight growth

The Trois-Rivières area job market was tested in recent years, but 2011 was active in this regard (+5 per cent), and the area saw employment return to its pre-recession level. The growth anticipated for 2012 and 2013 will be more moderate, however, with employment reaching 70,500 jobs[2] this year (+1.3 per cent) and 71,500 next year (+1.4 per cent).

Like in the last few years, the manufacturing sector will again experience a few difficulties. The pulp and paper, wood and furniture industries are suffering from the strength of the Canadian dollar against the U.S. dollar, which is making them less competitive on the market. In addition, the regional economy was going to be strongly stimulated by the several billion dollars of investments needed to rebuild a nuclear power station. However, the recent decision to decommission this station will result in job losses.

On the other hand, the construction sector will show some strength. In line with the trend of recent years, residential construction, still driven by very favourable financing conditions, will remain active. Housing starts will reach historically high levels, especially in 2012. As for non-residential construction, a few major projects are on the drawing board, which will help stimulate the job market. Lastly, the service sector (finance, insurance and real estate) will benefit from the activity in the construction sector.

Demographics: less favourable to the real estate market

Migration, which has been strong over the past decade, has significantly simulated housing demand. In the Trois-Rivières area, the international component accounts for just over two-thirds of the contribution, with the rest coming from the intraprovincial component. In any given year, the area loses people as a result of interprovincial moves.

A slight decrease is anticipated this year and next, mainly as a result of a reduction in the targets set by the Quebec government for the number of immigrants admitted for 2012 and 2013. Total net migration will reach 850 people, both this year and next year. It should be specified, however, that the expected levels will remain historically quite high. In fact, despite the small decrease from the 2010 and 2011 levels, migration will continue to support demand for housing, particularly rental dwellings, in the CMA.

Over the longer term, CMHC forecasts a slowdown in household formation. While household formation will be negative for people aged from 25 to 34, the growth will continue in the cohort aged 65 or older. In fact, the area stands out in this regard since, among the six CMAs in the province, Trois-Rivières has the largest

[2] The forecasts provided in this document are based on the information available on October 17, 2012.

proportion of people 65 years or older (19 per cent). The real estate market will therefore have to adapt to the needs of this aging population.

Mortgage rates

Although there is significant uncertainty, mortgage rates are not expected to change this year. A slight rise is anticipated for next year, but the rates will remain low by historical standards. According to CMHC's base case scenario, for 2012, the one-year posted mortgage rate is expected to be in the 2.75 to 3.50 per cent range. For 2013, the one-year posted mortgage rate is expected to rise and be in the 3.00 to 4.00 per cent range, while the five-year posted mortgage rate is forecast to be within 5.00 to 5.75 per cent, reflecting better employment and economic growth prospects for 2013.

Resale market: more balanced conditions

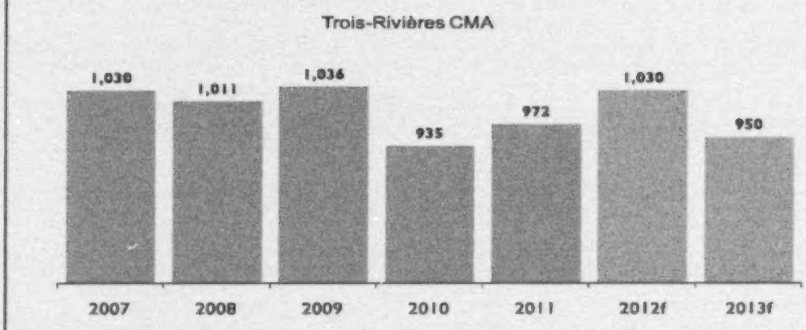
Resale market activity will be quite strong in 2012, before slowing down slightly in 2013. Despite less favourable demographic factors, the anticipated stability of the job market, combined with the low mortgage rates, will stimulate sales of residential properties. Overall, the Trois-Rivières area should record 1,030 transactions in 2012 (+6 per cent) and 950 in 2013 (-8 per cent). It should be noted that, in spite of the decline expected for 2013, sales will remain relatively high from a historical standpoint.

The supply of properties for sale increased significantly during the past two years, which allowed market conditions to ease. While still more abundant than in the past, this supply will stabilize in 2012 and 2013, which will limit the easing. A barometer of the power relationship between sellers and buyers, the listings-to-sales ratio will therefore remain in the balanced range[3] in 2012 and 2013. These conditions mark a turning point for the market. In fact, since the beginning of the 2000s, the market had systematically favoured sellers. The strong demand and limited supply had put strong upward pressure on prices. In the past two years, however, conditions changed. The significant increase in supply caused the market to ease rapidly. This is evidenced by the longer listing periods, as it now takes more than 100 days to sell a residential property, or 20 more than in 2010. In the current environment, sellers and buyers will therefore be negotiating on an even footing in the Trois-Rivières area.

These less tight conditions will lead to much smaller price increases. The average price of homes will therefore reach $159,500 in 2012 (+1.6 per cent) and then $161,000 in 2013 (+1 per cent).

Figure 3

Home Sales to Rise in 2012 Before Falling Slightly in 2013



Source: QFREB by Centris®
f: CMHC forecasts

New home market: fewer rental housing units, more condominiums

As in recent years, residential construction will stay strong in the Trois-Rivières CMA. In spite of a less favourable demographic environment and a greater supply of properties for resale, the relative stability of the job market, combined with the low interest rates, will continue to stimulate construction.

Homeowner housing construction will remain stable in 2012 and 2013. Foundations will be laid for 330 single-detached homes in each of 2012 and 2013, for a very small decrease (-1.5 per cent) from the level recorded in 2011. The scenario will be similar for semi-detached and row houses, as 225 starts should be enumerated in 2012 and 220, in 2013.

[3] The balanced range for the listings-to-sales ratio is between 8 and 10 to 1, indicating a market where neither buyers nor sellers are favoured.

In the case of condominiums, activity will be very strong. The year 2012 will effectively stand out in this regard, as construction should get under way on 225 units (+88 per cent) in the Trois-Rivières area—an unprecedented level. In fact, since 2011, condominium construction has been on a roll in the area. It should be noted that there had previously been very little activity in this segment as, in any given year, only about 20 new condominium units would be enumerated. In 2013, even though the level of condominium starts will remain relatively high (150 units), there will be a slowdown. Following the intense activity registered in 2011 and 2012, a decrease in activity will take place, in order to allow for the absorption of the newly built units.

Lastly, contrary to the condominium segment, rental housing will post a significant decline. After almost 10 years of relatively intense activity, rental housing construction will fall sharply in 2012 and 2013. Until just recently, rental dwellings accounted for nearly half of all new homes started in the area. The particularly tight situation on the rental market, where few units were vacant, was stimulating construction. The environment has changed since 2010, however, and the market has eased, as evidenced by the vacancy rate, which reached 3.9 per cent in 2011. As a result, foundations should be laid for 220 rental housing units in 2012 (-52 per cent) and then 100 in 2013 (-55 per cent).

In all, 1,000 housing starts will be registered in the Trois-Rivières area in 2012 (-10 per cent) and 800 in 2013 (-20 per cent). The declines will be due to the anticipated drop in rental housing production. Despite the decreases, it should be specified that the starts volumes will remain relatively high from a historical standpoint, with the annual average having hovered between 800 and 850 over the last 15 years.

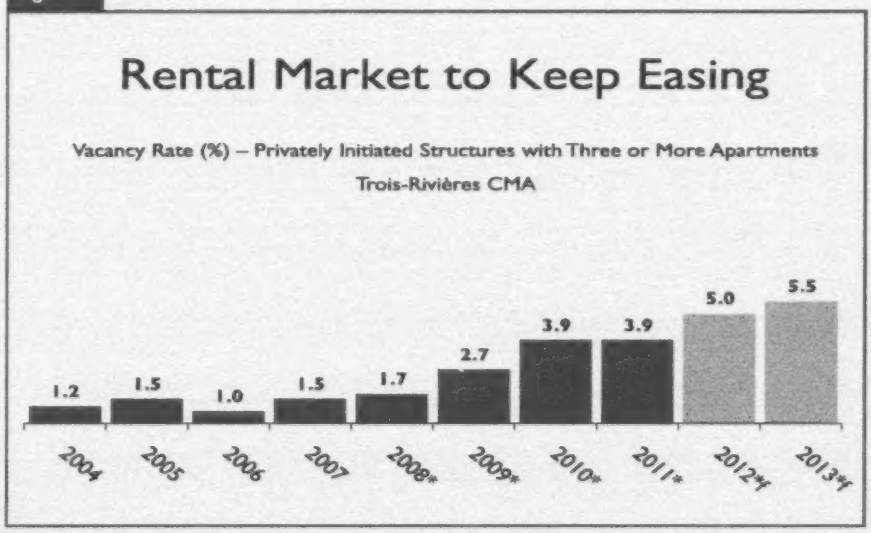
Rental market: easing to continue

The rental market, which eased during the last two years, will soften further in the Trois-Rivières area. This easing will be largely attributable to a more abundant supply of new units, which will push up the vacancy rate. In fact, rental housing construction stayed at relatively high levels in 2010 and 2011, even though there were signs that the market was easing. In 2011, more than 450 units were started. Some of these units, completed during 2012, will contribute to increasing the stock of new housing this year. Consequently, while housing production is expected to decrease in 2012 and 2013, the surplus supply, which has been accumulating since 2011, will cause the proportion of vacant units to rise in the CMA.

Demand, for its part, will remain relatively stable, as a result of the combined effects of the anticipated stability of the job market, less significant migration than in previous years and the movement to homeownership. In fact, in 2012 and 2013, the favourable homeownership conditions (stable job market, low mortgage rates and more abundant supply of properties for sale) will be maintained, such that a number of rental dwellings will be vacated. The rental market will therefore continue to ease, and the vacancy rate will reach 5.0 per cent in 2012 and then 5.5 per cent in 2013.

This easing of the market will lead to smaller increases in the average rent. For the next two years, the rise in the average rent will be close to inflation. The average rent for two-bedroom apartments will therefore reach $560 in 2012 and $570 in 2013.

Figure 4



Source and forecasts: CMHC

* Rental housing units for seniors were withdrawn from the survey universe.

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Forecast Summary Trois-Rivières CMA Fall 2012							
	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market[1]							
MLS® Sales	1,035	933	972	1,030	6.0	950	-7.8
MLS® Active Listings	455	518	659	650	-1.3	700	7.7
MLS® Average Price ($)	142,048	151,953	156,919	159,500	1.6	161,000	0.9
New Home Market							
Starts:							
Single-Detached	375	345	335	330	-1.5	330	0.0
Multiples	652	1,346	779	670	-14.0	470	-29.9
Starts - Total	1,027	1,691	1,114	1,000	-10.2	800	-20.0
Average Price ($):							
Single-Detached	199,774	209,570	218,822	228,000	4.2	237,000	3.9
Rental Market[2]							
October Vacancy Rate (%)	2.7	3.9	3.9	5.0	_	5.5	_
Two-bedroom Average Rent (October) ($)	520	533	547	560	_	570	_
Economic Overview							
Mortgage Rate (1 year) (%)	4.02	3.49	3.52	3.37	-	3.78	-
Mortgage Rate (5 year) (%)	5.63	5.61	5.37	5.26	-	5.37	-
Annual Employment Level	67,400	66,200	69,600	70,500	1.3	71,500	1.4
Employment Growth (%)	-3.6	-1.8	5.1	0.5	-	0.5	-
Unemployment rate (%)	8.8	9.1	8.7	8.0	-	8.0	-
Net Migration	796	984	971	850	-12.5	850	0.0

[1] *Source: QFREB by Centris®*

[2] *Privately initiated rental apartment structures of three units and over*

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Statistics Canada (CANSIM), QFREB by Centris®, CMHC forecasts (2010-2011)

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